

# City of Detroit

## CITY COUNCIL

IRVIN CORLEY, JR.  
DIRECTOR  
(313) 224-1076

FISCAL ANALYSIS DIVISION  
Coleman A. Young Municipal Center  
2 Woodward Avenue, Suite 218  
Detroit, Michigan 48226  
FAX: (313) 224-2783  
E-Mail: [irvin@cnci.ci.detroit.mi.us](mailto:irvin@cnci.ci.detroit.mi.us)

ANNE MARIE LANGAN  
DEPUTY DIRECTOR  
(313) 224-1078

TO: Norman White, Director  
Department of Transportation

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 24, 2009

RE: 2009-2010 Budget Analysis

ly.

Attached is our budget analysis regarding your department's budget for the upcoming 2009-2010 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers  
Council Divisions  
Auditor General  
Pamela Scales, Budget Director  
Joseph Harris, Finance Director  
Ron Chenault, Budget Department  
Barbara Hansen, DTC General Manager  
Arese Robinson, Mayor's Office

## Department of Transportation (20)

### FY 2009-2010 Budget Analysis by the Fiscal Analysis Division

#### Summary

The Department of Transportation (DOT) is an Enterprise Fund Agency, but historically has not been self-supporting and has relied on contributions from the General Fund in order to present a balanced budget.

DOT's total 2009-2010 recommended budget is \$180.19 million. This represents a \$3.7 million (2%) decrease from the current year's budget. Although DOT's net tax cost is zero, it does receive a recommended General Fund subsidy of \$80.018 million in the proposed budget.

Below is a twenty-two-year history showing budgeted transfers from the General Fund to the Transportation Fund:

<u>Fiscal Year</u>	<u>Budgeted Subsidy for DOT Operations</u>	<u>Budgeted Subsidy for People Mover Operations</u>	<u>Budgeted Total Transportation Subsidy</u>	<u>Ratio of DOT Operation Subsidy to Total DOT Revenues</u>
2010	\$73,788,813	\$6,229,976	\$80,018,789	43.50%
2009	78,355,490	6,229,976	84,585,466	49.12%
2008	73,478,147	6,229,976	79,708,123	48.05%
2007	70,155,651	6,229,976	76,385,627	47.50%
2006	77,252,604	6,229,976	83,482,580	49.06%
2005	69,614,983	7,736,137	77,351,120	45.20%
2004	68,199,900	10,265,050	78,464,950	45.00%
2003	67,575,767	10,805,300	78,381,067	37.10%
2002	73,423,721	11,374,000	84,797,721	40.60%
2001	68,477,884	10,674,000	79,151,884	39.60%
2000	55,372,845	9,255,000	64,627,845	33.60%
1999	52,372,845	9,255,000	61,627,845	32.00%
1998	55,159,845	8,500,000	63,659,845	35.60%
1997	57,058,845	8,500,000	65,558,845	38.60%
1996	43,433,734	7,374,298	50,808,032	30.80%
1995	37,986,051	5,834,000	43,820,051	29.40%
1994	26,831,243	7,248,720	34,079,963	22.30%
1993	30,423,067	7,223,115	37,646,182	23.70%
1992	35,472,696	7,670,000	43,142,696	25.30%
1991	39,523,853	3,217,060	42,740,913	28.00%
1990	33,735,578	6,000,000	39,765,578	24.82%
1989	32,454,711	7,870,000	40,324,711	24.84%
1988	39,073,768	5,904,439	44,978,207	29.88%



<sup>1</sup> Mayor's Recommendation in the 2009-2010 Executive Budget.

### Surplus/(Deficit)

There is currently no reported General Fund surplus or deficit in DOT for 2008-2009.

At the end of Fiscal 2006-2007, per the Comprehensive Annual Financial Report (CAFR), the Transportation Fund is reporting a **\$30.898 million deficit**.

At the end of Fiscal 2005-2006, per the Comprehensive Annual Financial Report (CAFR), the Transportation Fund is reporting a **\$20.97 million deficit**.

At the end of Fiscal 2004-2005, per the Comprehensive Annual Financial Report (CAFR), the Transportation Fund reported a **\$26.1 million deficit**.

### Overtime

Fiscal Year	Overtime Spent (millions)	Surplus/(Deficit)
<i>through 3/31/09</i>	\$16.57	(13.20)
2008	20.42	(19.09)
2007	15.66	(7.67)
2006	13.73	(5.56)
2005	18.23	(6.72)
2004	21.42	(3.40)
2003	20.96	(3.93)
2002	19.92	(2.89)
2001	21.19	(4.29)
2000	21.80	(5.31)
1999	20.74	(5.31)
1998	18.40	(3.90)
1997	16.87	(1.42)

The 2009-2010 Budget recommends an overtime budget of \$9.419 million, which is \$10,000 greater than the current year.

### Personnel and Turnover Savings

Appropriation/Program	Redbook Positions FY 2008-09	Filled Positions 03/31/2009	Mayor's Budget Positions FY 2009-10	Over/(Under) Actual to 08/09 Budget
<b>Transportation (20):</b>				
200010 Administration	12	11	13	(1)
200011 DDOT Strategic Planning Div.	9	6	8	(3)
200012 DDOT Capital Projects Div.	2	2	2	0
200070 Mgmt. Information Svcs.	0	0	0	0
200090 Finance	44	26	43	(18)
200100 Grants Management	0	0	0	0

<u>Appropriation/Program</u>	<u>Redbook Positions FY 2008-09</u>	<u>Filled Positions 03/31/2009</u>	<u>Mayor's Budget Positions FY 2009-10</u>	<u>Over/(Under) Actual to 08/09 Budget</u>
<b>Transportation (20):</b>				
200110 Customer Prog. & Comm.	14	10	14	(4)
200150 Purchase & Cont. Admin.	16	12	16	(4)
<b>00146 Departmental Operations</b>	<b>97</b>	<b>67</b>	<b>96</b>	<b>(30)</b>
200170 Building Maintenance	67	49	68	(18)
200230 Risk Management	8	7	8	(1)
<b>00149 Plant Maintenance</b>	<b>75</b>	<b>56</b>	<b>76</b>	<b>(19)</b>
<b>200150 Purchase &amp; Cont. Admin.</b>	<b>0</b>	<b>0</b>	<b>0</b>	
200280 Vehicle Maintenance	352	318	352	(34)
200290 Materials Management	29	30	29	1
<b>00150 Vehicle Maintenance</b>	<b>381</b>	<b>348</b>	<b>381</b>	<b>(33)</b>
200300 Vehicle Operation	970	992	971	22
200330 Service Development	0	0	0	0
<b>00151 Transportation</b>	<b>970</b>	<b>992</b>	<b>971</b>	<b>22</b>
20XXXX Leave of Absence	0	11	0	11
20XXXX Worker's Comp.	0	(38)	0	(38)
20XXXX Unmatched Positions	<u>0</u>	<u>37</u>	<u>0</u>	<u>37</u>
<b>TOTAL</b>	<b><u>1,523</u></b>	<b><u>1,473</u></b>	<b><u>1,524</u></b>	<b><u>(50)</u></b>

The department has a net increase of 1 position.

#### Significant Changes in Funding by Appropriation

#### Variance of 2008-2009 Budget to 2009-2010 Recommended Budget by Major Object Group

<u>Major Object Group</u>	<u>Change Amount</u>
Salaries and Wages	\$(1,375,927)
Employee Benefits	(3,135,918)
Prof/Contract Svcs	(2,822,866)
Operating Supplies	(1,489,381)
Operating Services	626,089
Other Expenses	-
Capital Acquisitions	-
Fixed Charges	4,427,655
<b>Total</b>	<b>\$ (3,770,348)</b>

#### **Department of Transportation (20)**

<u>Budgeted Professional and Contractual Services by Activity</u>	<u>FY 2008-09 Budget</u>	<u>FY 2009-10 Recommended</u>	<u>Increase (Decrease)</u>
Administration	\$ 745,000	\$ 245,000	\$ (500,000)
Plant Maintenance & Construction	1,815,000	515,000	(1,300,000)
Vehicle Maintenance	-	-	-



Transportation	<u>8,274,865</u>	<u>7,251,999</u>	<u>(1,022,866)</u>
<b>Total</b>	<b><u>\$ 10,834,865</u></b>	<b><u>\$ 8,011,999</u></b>	<b><u>\$ (2,822,866)</u></b>

### Significant Revenue Changes by Appropriation and Source

The recommended budgeted fare box revenue of \$30.1 million accounts for 17% of DOT's operational costs. This is an increase of \$100,000 from the current budget.

State reimbursement for operations is projected at \$51.9 million, a decrease of \$365,498.

Since 1998, the Feds no longer provide direct operational funding for transportation. The Feds will still provide capital grants for the purchasing of buses and they will now allow some transfers of operational maintenance costs to those grants that are awarded.

### Issues and Questions

1. How did the accumulated deficit grow by \$10 million in 2006-2007 when the department had been able to reduce the accumulated deficit by \$5 million the year before? Why weren't these costs charged to grants?
2. How much in operation costs can be charged to grants? The recommended operating budget is reduced by \$9.8 million, but there are no staff cuts. How much of this will be charged to grants? How much is currently being charged to grants?
3. Operationally is this a realistic budget that will allow DOT to maintain service levels?
4. Did the recommended staff shifts result from any type of study? Did Human Resources recommend the Asst. Superintendent of Transportation - Rolling Stock position be upgraded to Superintendent of Transportation - Rolling Stock?
5. Since employee benefits are typically 60% of salaries, why are the benefit accounts decreasing almost 3 times more than the salary reductions?
6. Why was one federal grant included in the budget, when the department has never included grants before? Are operating costs still going to be charged off against other grants? Are those costs included in the budget or are they not even included? Where is the full picture of the true operational costs for the transit system? Why aren't all grants included in the budget as the department regularly receives these grants? Please provide a list of all grants.
7. Please provide a detailed list, by account, by cost center, the operating costs that will be charged to grants for the current fiscal year and next fiscal year.
8. Where is the payment to GE Capital for the buses purchased two years ago budgeted?

9. Explain the \$1 million decrease in the paratransit service contract, as the current year was reduced by \$3 million over the 2007-2008 fiscal year. Are requests for service going down? The actual costs for 2007-2008 were \$7.6 million.
10. Explain how the fuel account can drop by \$1.2 million to \$13.1 million, when the actual costs for 2007-2008 were \$20.4 million?
11. Please provide a copy of this fiscal year's cash flow as well as cash flow projections through June 30, 2009.
12. Why is the payment to the Risk Management Fund increasing by \$5.4 million?

Attachment: Fiscal Analysis Division's Review of the 2009-2010 DTC Budget

## **Detroit Transportation Corporation (People Mover)**

### **FY 2009-2010 Budget Analysis by the Fiscal Analysis Division**

#### **Summary**

The Detroit Transportation Corporation (DTC) was created by the City of Detroit pursuant to P.A. 7 of 1967 as a component unit of the city for the basic purpose of acquiring, completing and operating the Downtown People Mover.

The DTC is governed by a Board of Directors consisting of six members, appointed by the Mayor without compensation or set terms. The City Council President also sits on the board.

The DTC organization structure includes twelve divisions: Administration, Executive, Accounting, Field Operations, Homeland, Human Resources, Maintenance, Marketing, Operations Administration, Quality Control, Safety, and System Operations.

The recommended 2009-2010 Budget for the DTC is \$21.8 million, \$498,481 less than the current fiscal year budget.

The Mayor recommends a General Fund operating subsidy of \$6.229 million (45% of the operating costs) for the DTC, which passes through the Detroit Department of Transportation (DDOT). The DTC has received a General Fund subsidy of \$6.229 million for the past several years.

#### **2008-2009 Surplus/(Deficit)**

Based on documentation presented, it is unclear if the DTC is projecting a surplus or deficit.

The 2007-2008 financial statements (CAFR) reported that the DTC ended the fiscal year on June 30, 2008 with an operating loss of \$2.3 million, a \$5 million improvement over June 30, 2007.

#### **Funding**

Attached is the DTC budget for FY 2009-2010.

#### **Revenues:**

Operating revenue (fare gate, tokens and passes) is increasing by \$50,000.

Non-Operating revenue has a net decrease of \$967,000 - \$150,000 from interest income, \$320,000 from federal grants and \$500,000 for property sales.

There is no change to the city subsidy of \$6.23 million.



### Issues and Questions

1. Since are salaries decreasing by \$425,000, are positions being cut?
2. How is the current fiscal year projected to end – surplus or deficit?
3. When will the \$ 2 million in city bond revenue be used? Please explain the capital projects.
4. Have these bonds actually been sold?
5. How much bond money has been appropriated to DTC in prior years? What is the remaining balance of those funds?
6. Was all the land totaling \$2 million that was budgeted in the last few years actually sold?

Attachments: DTC Budget 2009-2010



**Detroit Transportation Corporation**  
**COMPARATIVE BUDGET**  
**Fiscal Years 2009 and 2010**

	Final FY 08/09 Budget	Proposed FY 09/10 Budget	Variance
Operating Revenue	1,085,000	1,135,000	50,000
Operating Expenses			
Salaries & Fringes	6,392,761	5,967,607	(425,154)
Benefits	2,786,048	2,448,524	(337,524)
Professional Services and Consulting	579,000	579,000	0
Advertising & Public Relations	285,959	336,682	50,723
Insurance	905,500	865,785	(39,715)
Maintenance & Renovation	2,243,543	2,038,338	(205,205)
Office Supplies	34,973	22,500	(12,473)
Rent	217,602	207,800	(9,802)
Telephone & Utilities	873,025	1,010,834	137,809
Depreciation	7,119,880	7,462,740	342,860
Other Expenses	923,905	923,905	0
Total Operating Expenses	22,362,196	21,863,715	(498,481)
Operating Loss	(21,277,196)	(20,728,715)	548,481
Non-Operating Income			
Rental Income	22,000	22,000	0
Interest Income	400,000	250,000	(150,000)
Advertising Revenue	250,000	250,000	0
Miscellaneous Revenue - S.I.R Reduction	0	50,000	50,000
FTA Grant Revenue	1,294,032	850,000	(444,032)
ACT51 Grant Revenue	4,205,832	4,209,000	3,168
MDOT Rail Grant Revenue	0	0	0
CMAQ Grant Revenue	0	0	0
Sale of Real Property	500,000	0	(500,000)
Unified Work Program Grant	0	73,000	73,000
Total Non-Operating Revenue	6,671,864	5,704,000	(967,864)
Net Loss Before Operating Tfr	(14,605,332)	(15,024,715)	(419,383)
Operating Transfer From City	6,229,975	6,229,975	0
Restricted Non-Operating Revenue		0	0
City Bond Revenue	2,000,000	2,000,000	0
DDA Grant Revenue	0	0	0
Beam Escrow Reimb. Revenue	0	130,000	130,000
Net Loss After Operating Tfr	(6,375,357)	(6,664,740)	(289,383)
Depreciation of Fixed Assets			0
Acquired by Grants	6,375,357	6,664,740	289,383
Net Income (Loss)	0	0	0